

Message Text

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ACTION EA-09

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E.O. 11652: N/A

TAGS: PFOR, EFIN, TH

SUBJECT: THE FINANCE MINISTER'S LEADERSHIP ON ECONOMIC ISSUES

1. AFTER AN EARLIER ATTEMPT WAS ABORTED, LOWER HOUSE ON JULY 29 VOTED TO RAISE FOREIGN DEBT CEILING BY 100 MILLION DOLLARS. RTG HAD REACHED FOREIGN DEBT CEILING AND A NUMBER OF WORLD BANK LOANS COULD NOT BE SIGNED UNTIL THE DEBT CEILING WAS RAISED. A FURTHER INCREASE WILL PROBABLY BE NECESSARY THIS YEAR.

2. ON JUN 24, 1976, THE LOWER HOUSE HAD FAILED TO APPROVE THE AUTHORIZATION FOR ONE BILLION DOLLARS IN NEW LOANS OVER COURSE OF NEXT FIVE YEAR PLAN (1977-81). MINISTER OF FINANCE SAWET PIAMPHONGSAN PERFORMED BADLY IN DEBATE AND WAS UNABLE TO SATISFACTORILY EXPLAIN THE NEED FOR LARGE NEW BORROWING AUTHORITY. SOCIAL ACTION PARTY LEADER BUNCHO ROTCHANASATHIAN, HIS PREDECESSOR AS FINANCE MINISTER, HAD TO INTERVENE TO EXPLAIN THE WORKINGS OF THE THAI FINANCIAL SYSTEM TO HIS COLLEAGUES, CAUSING LOSS OF FACE FOR SAWET. THE GOVERNMENT THEN WITHDREW THE REQUEST FOR ONE BILLION DOLLARS IN BORROWING AUTHORITY.

3. SAWET'S PERFORMANCE IN A DISCUSSION OF THE 1977 BUDGET WITH MP'S BELONGING TO THE GOVERNMENT PARTIES ON JULY 28 WAS ALSO UNDISTINGUISHED. THERE WERE MANY OBJECTIONS TO THE BUDGET FROM THE GOVERNMENT MP'S, CHIEFLY TO HIGHER
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MILITARY SPENDING AND INSUFFICIENT ATTENTION TO THE "PEOPLES'

NEEDS" (READ "PORK BARREL").

4. BUNCHU HAS ALREADY EXPRESSED OBJECTIONS TO THE BUDGET, PRINCIPALLY CONTINUED SUBSIDIZATION OF MONEY LOSING STATE ENTERPRISES. BUNCHU ACTED AS A GADFLY ON THE BUDGET ISSUE EVEN IN THE DAYS OF THE THANOM-PRAPHAT APPOINTED ASSEMBLY, AND THE PEDESTRIAN SAWET IS NO MATCH FOR HIM. WITH DISSENSION AMONG THE COALITION PARTNERS, SAWET WILL HAVE A ROCKY TIME GUIDING THE BUDGET BILL THROUGH PARLIAMENT.

5. HOWEVER, WHILE THE GOVERNMENT MAY BE BLOODIED IN THE DEBATE, PRESENT INDICATIONS ARE THAT THE BUDGET BILL WILL PASS. IN THE AFTERMATH OF THE DEFEAT OF THE GOVERNMENT NOMINATIONS TO THE ANIT-CORRUPTION COMMITTEE ON JULY 29 THE LEADERS OF THE OTHER THREE COALITION PARTIES GAVE SENI A FIRM PLEDGE THAT THEIR PARTIES WOULD VOTE EN MASSE FOR THE BILL. THE EMBASSY HAS NO REASON TO DOUBT THIS. THE COALITION PARTNERS REALIZE THAT DEFEAT OF THE BUDGET BILL MEANS THE FALL OF THE GOVERNMENT, PROBABLE DISSOLUTION OF PARLIAMENT AND NEW ELECTIONS FEW CAN AFFORD.
WHITEHOUSE

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